

FOREIGN DIRECT INVESTMENT IN THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

Today, in the context of economic modernization, the role of the state in determining the priorities for the modernization of various industries and industries, structural reforms and investment policy remains. At the same time, the state is involved as a key reformer in solving existing problems and further improving the efficient allocation of investments. It should be noted that in ensuring the development of the country's economy, a positive fact is the high share of foreign direct investment in foreign capital. The increase in the share of direct investment in the structure of all foreign investments once again shows that a favorable investment climate has been created in the country.

KEYWORDS: *Economic, Development, Modernization, Energy Industry, Foreign Investors, FDI*

INTRODUCTION

The economic stability of the country is one of the most important conditions for development. In Uzbekistan, this condition primarily depends on the development of the energy sector and its energy security. In the Republic of Uzbekistan, an Action Strategy was adopted in five priority areas of development for 2017-2021, which is designed to ensure the growth and liberalization of the country's economy. A strong energy policy provides the basis for increasing the competitiveness of the national economy. In this regard, in such a leading sector of the economy as fuel and energy, the implementation of structural reforms, modernization and diversification processes is currently continuing.¹.

RESEARCH METHODOLOGY

This article is analytical and research. The study is based on an analysis of key indicators of socio-economic development of the Republic of Uzbekistan. They are collected from various national and international scientific articles, the official website of the Ministry of Energy of the Republic of Uzbekistan on statistics, ministries of foreign economic relations, investments and trade of the Republic of Uzbekistan, data from the government portal of the Republic of Uzbekistan, etc. The amount of funds financed in the development projects of the energy complex of the Republic of Uzbekistan, sources of financing and types of investments is analyzed. The work uses the methods of statistical and economic analysis, the method of expert evaluation and the method of calculating economic efficiency.

DISCUSSIONS

While each country's energy industry is unique, regulators everywhere have the same goals: to ensure stable supply (with capacity sufficient to meet aggregate demand), low prices for consumers, and an acceptable level of environmental friendliness. Therefore, the regulatory system in the energy sector is essentially based on the compromise of these incompatible goals and is determined by the specific characteristics of the energy industry in a particular country. And everywhere this triangle gives rise to its complexities; for example, the introduction of strict environmental standards leads to higher electricity prices for consumers. After all, these goals need to be balanced in a way that satisfies energy shareholders with ROI.

It would seem that the most direct way to attract investment is to liberalize the market, but, unfortunately, in reality everything is not so simple. The market alone cannot solve all problems if the goals are not rigidly defined and the rules of the game are not formulated. Recently, there has been a lot of talk about the advantages of the free market in the energy sector, in particular, about the advantages that it gives to energy consumers. Theorists believe that the market is much more effective in balancing supply and demand than a bureaucratized state structure that forces the consumer to pay for the construction of not too necessary capacities. If anyone suffers, it will be the generating companies: they will lose the guaranteed profits that allow them to stay afloat during downturns in the industry. Initially, in free markets, wholesale prices tend to fall, the quality of services provided increases, and the profits of generating companies decrease.

Today, in the context of economic modernization, the role of the state in determining the priorities for the modernization of various industries and industries, structural reforms and investment policy remains. At the same time, the state is involved as a key reformer in solving existing problems and further improving the efficient allocation of investments. In the context of the globalization of the economy and the requirements of market relations, fierce competition for investment in the world continues non-stop. Liberalization of foreign economic activity, improvement of legal, socio-economic and other conditions for attracting foreign direct investment in the economy, implementation of an open-door policy in relation to foreign investment, mobilization of funds in priority areas of economic independence and production of competitive products are the main principles of investment policy in the country. [1, 67 p.]

It should be noted that in ensuring the development of the country's economy, a positive fact is the high share of foreign direct investment in foreign capital. This is due to the fact that the fact of investing capital in the country's economy without state guarantees shows that they have assumed all the risks that may arise as a result of working in the national economy. The increase in the share of direct investment in the structure of all foreign investments once again shows that a favorable investment climate has been created in our country.

INVESTMENT SITUATION IN THE REPUBLIC OF UZBEKISTAN

Against the background of the deterioration of the epidemiological situation in the world, the world economy in 2020 was plunged into recession. According to preliminary estimates of the International Monetary Fund (IMF), in 2020 the decline in the world economy was minus 3.5%²

Despite the downturn in the global economy and the crisis, Uzbekistan experienced positive economic growth in 2020. This was the result of targeted measures and coordinated macroeconomic policies.

During the global pandemic, Uzbekistan has pursued a supportive monetary and flexible fiscal policy to protect and support entrepreneurs and the population. More than 20 Presidential and

government decisions were taken to maintain macroeconomic stability and positive economic growth. The Anti-Crisis Fund in the amount of 13.4 trillion soums was created. This contributed to the implementation of sanitary and hygienic measures, the treatment of infected people, the preservation afloat of the most affected sectors of the economy and the creation of new jobs. The budget allocated additional financial resources in the form of subsidies, loans or prolongation of tax and customs payments to the affected business areas. Benefits were also paid to low-income families.

The crisis has affected financial institutions. To maintain financial stability, banks were provided with the necessary liquidity, and business entities were supported by the use of monetary instruments.

The timely anti-crisis measures taken, in particular, strengthening the health care system, strengthening social protection measures, as well as conducting coordinated macroeconomic policies, made it possible to mitigate the negative impact of the coronavirus pandemic on the country's economy and prevent its deep recession. As a result, the positive growth of the country's economy amounted to 1.6%, which was at the upper level of the projected corridor (1-1.5%)³

The investment policy of Uzbekistan is aimed at increasing the volume of development of foreign direct investment. To this end, a favorable investment climate is being formed in the country, relations in the field of regulation and protection of private property rights, ensuring the true independence of the judiciary, as well as the development of financial markets, production and market infrastructure are being improved.

The main foreign investors of Uzbekistan, according to the Ministry of Investment and Foreign Trade, were Russia, China, Germany and Turkey. The total number of countries-investors in the country's economy was 37.

The most attractive for investors were the electrical industry (an increase of 13 times compared to the same period in 2019), the production of building materials (an increase of 3.6 times) and the ICT sector (an increase of 3.5 times). Good growth dynamics was shown by the food industry (growth - 1.5 times) and the chemical industry (growth - 1.3 times), as well as the textile industry (growth - 1.6 times)⁴.

In 2020, there was a tendency to attract foreign direct investment and loans to projects of regional importance. The total value of these loans for the period from January to July amounted to \$ 2 billion, an increase of 1.05 times compared to the same period in 2019. The volume of investment in the framework of regional projects amounted to 62.3% of the total volume of disbursed foreign direct investment. In the period from January to June 2020, the total volume of disbursed foreign investment amounted to \$ 4.8 billion, including foreign direct investment - \$ 3.2 billion and foreign loans under the state guarantee - \$ 1.6 billion.

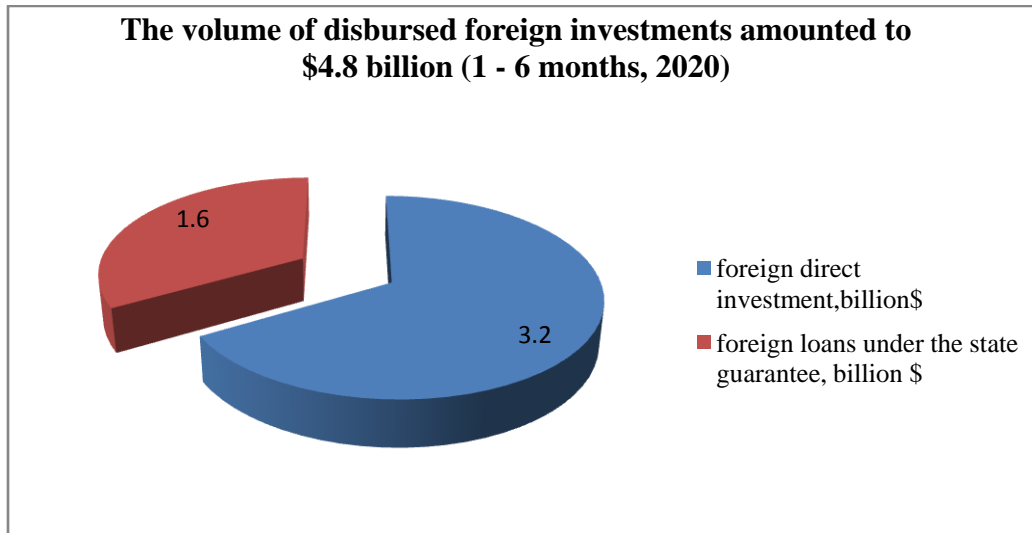


Fig. 1. The volume of developed foreign investments in the electrical industry for 1 - 6 months, 2020⁵

The highest dynamics of growth of FDI in the context of regions is observed in Namangan (1.6 times), Tashkent (1.6 times), Kashkadarya (1.5 times) and Syrdarya (1.4 times) regions.

In 2020, ACWA Power Sirdarya began construction Thermal Electric Stats in Syrdarya region. The cost of the project is about \$ 1 billion. It is planned to put the TPP into operation in 2022. The new facility will produce 10 billion kWh of electricity per year.

This is the first non-sovereign financing project for the Asian Infrastructure Investment Bank AIIB in Uzbekistan aimed at developing the high-performance gas-fired power plant industry in Uzbekistan.

Unfortunately, the electricity supply system of the republic does not have the necessary reserve capacities and, due to the increase in the share of energy consumption, faces significant problems in its supply. The construction of new, highly efficient gas-fired power plants is an important stage in the modernization of the system along with the ever-increasing construction of renewable sources with variable generation patterns, such as solar panels and wind power.

The project is also invested by the European Bank for Reconstruction and Development, the OPEC Fund for International Development and DEG (Deutsche Investitions-Und EntwicklungsgesellschaftMbh); some commercial lenders have received guarantees from the Multilateral Investment Guarantee Agency (MIGA).

Implementation of this project will allow Uzbekistan to reduce the intensity of carbon dioxide emissions in the energy supply system.

This will make it possible to modernize the energy infrastructure in the Syrdarya region through public-private partnership.

By 2050, Uzbekistan plans to implement a plan to achieve carbon neutrality through the modernization of gas-fired power plants.

The use of technologies will also affect the efficiency of water use and the correction of the situation with its shortage in the region, aggravated by climate change, the report says.

It is expected that the technologies introduced within the framework of the project will significantly reduce greenhouse gas emissions per unit of electricity generation compared to the emission factors of the current energy system of Uzbekistan. And in 2050, Uzbekistan intends to move to carbon-neutral electricity production.

CONCLUSION

Uzbekistan has a real opportunity to achieve zero carbon energy in 2050, both from a technical and economic point of view. But to do this, you need to pay attention to the following aspects.

The country needs to transform its electricity generation infrastructure. To increase the development of renewable energy sources, it is necessary to create a regulatory framework. It is also necessary to develop a mechanism for setting prices for carbon. Subsidy reform is needed. Awareness-raising campaigns need to be developed to mobilize public support. And of course, it is necessary to pay special attention to environmental protection.

All of these transformations must be supported by political support and will require significant technical and regulatory reforms.

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